Statement of Financial Position

(in millions)	September 30, 2002	September 30, 2001
ASSETS		
Cash	$7,641.8	$7,132.5
Loans Receivable, Net	5,900.4	5,855.3
Receivables from Subrogated Claims, Net	1,776.3	2,140.7
Accrued Interest, Fees Receivable and Other Assets	144.9	184.4
Total Assets	**$15,463.4**	**$15,312.9**
LIABILITIES AND STOCKHOLDER'S DEFICIENCY		
Borrowings from the U.S. Treasury	$6,657.4	$7,044.8
Payment Certificates	785.6	931.1
Allowance for Off-Balance Sheet Risk	7,069.6	6,411.5
Claims Payable	22.1	33.2
Amounts Payable to the U.S. Treasury	3,620.8	557.0
Deferred Fees	893.5	905.2
Other Liabilities	77.5	72.5
Total Liabilities	19,126.5	15,955.3
COMMITMENTS AND CONTINGENCIES (Notes 6 and 14)		
Capital Stock held by the U.S. Treasury	1,000.0	1,000.0
Tied Aid Appropriations	344.3	397.3
Credit Appropriations	296.5	190.6
Accumulated Deficit	(5,303.9)	(2,230.3)
Total Stockholder's Deficiency	(3,663.1)	(642.4)
Total Liabilities and Stockholder's Deficiency	**$15,463.4**	**$15,312.9**

The accompanying notes are an integral part of this financial statement.

Statement of Operations

(in millions)	For the Year Ended September 30, 2002	For the Year Ended September 30, 2001
INTEREST INCOME		
Interest on Loans	$826.6	$740.1
Interest on Cash	341.6	416.3
Total Interest Income	1,168.2	1,156.4
INTEREST EXPENSE		
Interest on Borrowings	486.4	544.7
Other Interest Expense	0.2	2.8
Total Interest Expense	486.6	547.5
Net Interest Income	681.6	608.9
Provision for Credit and Claim Losses	726.2	(195.1)
Net (Loss)/Income after Provision for Losses	(44.6)	804.0
NON-INTEREST INCOME		
Commitment Fees	23.2	34.4
Exposure Fees	242.1	240.3
Guarantee Fees and Insurance Premiums	25.7	28.0
Other Income	8.5	15.8
Total Non-Interest Income	299.5	318.5
NON-INTEREST EXPENSE		
Administrative Expense	55.7	53.5
Other Expense	17.1	7.7
Total Non-Interest Expense	72.8	61.2
Net Income	**$182.1**	**$1,061.3**

The accompanying notes are an integral part of this financial statement.

Statement of Changes in Capital and Accumulated Deficit

(in millions)	Capital Stock	Tied Aid	Appropriated Capital Pre-Fiscal 1992 Credits	Appropriated Capital Post-Fiscal 1991 Credits	Accumulated Deficit	Total
BALANCE AT SEPTEMBER 30, 2000	**$1,000.0**	**$410.4**	**$0.0**	**$38.8**	**($1,621.9)**	**($172.7)**
Appropriations Received			31.9	925.8		957.7
Appropriations Obligated Excluding Tied Aid			(31.9)	(887.9)	919.8	0.0
Net Income					1,061.3	1,061.3
Appropriations Deobligated and Reavailable, Net				114.3	(114.3)	0.0
Transferred to the U.S. Treasury, Net (Note 1)					(2,060.1)	(2,060.1)
Tied Aid Appropriations Disbursed		(13.1)				(13.1)
Amounts Payable to the U.S. Treasury (Note 1)				(0.4)	(415.1)	(415.5)
BALANCE AT SEPTEMBER 30, 2001	**$1,000.0**	**$397.3**	**$0.0**	**$190.6**	**($2,230.3)**	**($642.4)**
Appropriations Received			46.9	790.6		837.5
Appropriations Obligated Excluding Tied Aid			(46.9)	(802.1)	849.0	0.0
Net Income					182.1	182.1
Appropriations Deobligated and Reavailable, Net				118.6	(118.6)	0.0
Transferred to the U.S. Treasury, Net (Note 1)					(502.2)	(502.2)
Tied Aid Appropriations Disbursed		(3.0)				(3.0)
Rescission of Unobligated Tied Aid Funds		(50.0)				(50.0)
Amounts Payable to the U.S. Treasury (Note 1)				(1.2)	(3,483.9)	(3,485.1)
BALANCE AT SEPTEMBER 30, 2002	**$1,000.0**	**$344.3**	**$0.0**	**$296.5**	**($5,303.9)**	**($3,663.1)**

The accompanying notes are an integral part of this financial statement.

Statement of Cash Flows

(in millions)	For the Year Ended September 30, 2002	For the Year Ended September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$182.1	$1,061.3
Adjustments To Reconcile Net Income to Net Cash from Operations:		
Amortization of Discount on Loan Disbursements, Net	(10.4)	(8.6)
Amortization of Loan Exposure Fees	(8.4)	52.3
Amortization of Guarantee Exposure Fees and Insurance Premiums	(11.7)	104.3
Provision for Credit and Claim Losses	726.2	(195.1)
Claim Payments	(442.6)	(405.5)
Claim Recoveries	476.8	417.9
Decrease/(Increase) in Accrued Interest, Fees Receivable and Other Assets	39.5	(19.6)
Increase in Other Liabilities	207.2	51.5
Net Cash Provided by Operations	1,158.7	1,058.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Disbursements	(722.5)	(1,559.2)
Repayment of Loans Receivable	947.1	898.8
Net Cash Provided by/(Used in) Investing Activities	224.6	(660.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from the U.S. Treasury	714.6	1,789.6
Repayment of Borrowings from the U.S. Treasury	(1,102.0)	(1,427.8)
Credit Appropriations Received	837.5	957.7
Amounts Transferred to the U.S. Treasury	(923.5)	(3,493.5)
Rescission of Unobligated Tied Aid Funds	(50.0)	0.0
Payment Certificates Paid	(347.6)	(165.1)
Tied Aid Appropriations Disbursed	(3.0)	(13.1)
Net Cash Used in Financing Activities	(874.0)	(2,352.2)
Net Increase/(Decrease) in Cash	509.3	(1,954.1)
Cash - Beginning of Year	7,132.5	9,086.6
Cash - End of Year	**$7,641.8**	**$7,132.5**
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	**$490.9**	**$546.7**

The accompanying notes are an integral part of this financial statement.

Export-Import Bank of the United States
Notes to Financial Statements

1. Summary of Significant Accounting and Reporting Policies

Enabling Legislation and Mission

The Export-Import Bank of the United States (Ex-Im Bank) is an independent corporate agency of the United States that was first organized as a District of Columbia banking corporation in 1934. Ex-Im Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act of 1990 (P.L. 101-508). Continuation of Ex-Im Bank as an independent corporate agency of the United States is subject to periodic extensions granted by Congress. Congressional authorization has been extended through September 30, 2006. For FY 2002, the reauthorization increased Ex-Im Bank's overall limit on loans, guarantees and insurance that can be outstanding at any one time from $75 billion to $80 billion. The limit increases by an additional $5 billion each year through FY 2006.

Ex-Im Bank's mission is to facilitate U.S. exports by providing financing in order to level the playing field for American exporters facing officially supported foreign financing competition and bridge export financing shortfalls caused by market failures. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers four financial products: loans, guarantees, working capital guarantees and insurance. All Ex-Im Bank guarantees and insurance carry the full faith and credit of the U.S. government.

Ex-Im Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. Ex-Im Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value.

Ex-Im Bank guarantees cover the repayment risks on the foreign buyer's debt obligations. Ex-Im Bank guarantees to a lender that, in the event of a payment default by the borrower, it will repay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers 100 percent of the commercial and political risks for 85 percent of the U.S. contract value.

Ex-Im Bank's working capital guarantee program provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The guarantee may be approved for a single loan or a revolving line of credit. Ex-Im Bank's guarantee protects the lender from default by the exporter for 90 percent of the principal of the loan and interest.

Ex-Im Bank's export credit insurance program helps U.S. exporters sell their goods overseas by protecting them against the risk of foreign buyer or other foreign debtor default for political or commercial reasons, allowing them to extend credit to their international customers. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive (commercial and political) credit risks or only specific political risks, and cover short- or medium-term sales.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant of these estimates is the allowance for losses on loans receivable, the allowance for losses on claims receivable and the allowance for off-balance sheet risk. Certain assumptions are also used to calculate the fair value of financial instruments (Note 15). Actual results could differ significantly from management's assumptions and estimates.

Cash

Cash balances as of September 30, 2002 and 2001 were as follows (in millions):

Cash Accounts	2002	2001
RESTRICTED:		
Credit Reform Financing Accounts	$5,598.8	$5,062.0
Unexpended Appropriations	1,903.5	1,927.2
UNRESTRICTED:		
Pre-Credit Reform Accounts	74.1	94.1
Other Cash	65.4	49.2
Total	**$7,641.8**	**$7,132.5**

All cash is deposited at the U. S. Treasury. Ex-Im Bank is restricted in its use of certain cash balances. Credit reform financing accounts include appropriated funds, exposure fees collected, and interest that has been paid by the U.S. Treasury to Ex-Im Bank on the balances in the account. These funds are available to cover losses in Ex-Im Bank's credit programs. Unexpended appropriations are appropriated funds received that are deposited in a non-interest-bearing account at the U.S. Treasury. These funds are available to Ex-Im Bank when the credit activity to which they relate takes place or to finance administrative expenses. Upon occurrence of the credit activity, disbursement of the related loans or shipment of goods under guarantee or insurance policies written by Ex-Im Bank, the funds become available to either subsidize the related loan disbursement or to be invested in the credit reform financing accounts to fund the credit costs of the guarantee and insurance policies.

Unrestricted funds include funds resulting from pre-credit reform activities. These funds are available to cover expenditures related to pre-credit reform credits. Other cash represents collections in unapplied collection accounts pending final application.

Accrued Interest on Loans and Receivables from Subrogated Claims (Claims Receivable)

Interest is accrued on loans and claims as it is earned. Claims receivable arise from Ex-Im Bank payments to guaranteed or insured financial institutions or exporters when the obligor has defaulted on a guaranteed or insured credit. Generally, loans and claims receivable delinquent 90 days or more are placed in a non-accrual status unless they are well secured and significant collections have been received during the past year. At the time that a loan or claim is placed in non-accrual status, any accrued but unpaid interest previously recorded is reversed against current period interest income.

Accounting for Capitalized Interest on Rescheduled Loans and Claims

Rescheduling agreements (Note 3) frequently allow Ex-Im Bank to add uncollected interest to the principal balance of rescheduled loans and claims receivable (i.e., capitalized interest). When capitalized, the uncollected interest is not immediately recorded as income. However, interest does accrue on the amount of interest that was capitalized and included in the principal balance and is recorded as income when accrued. The amount of interest that was capitalized and included in the principal balance is recorded as income when cash collections occur only after all the principal not related to the capitalized interest is paid. An allowance is established for all uncollected capitalized interest.

Allowance for Credit and Claims Losses

The allowance for credit and claims losses provides for probable losses inherent in the loan, claim, guarantee and insurance portfolios. The allowance is established as losses are estimated to have occurred through a provision for credit and claims losses charged to earnings. Credit and claims losses are charged against the allowance when management believes the uncollectibility of a credit or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit and claims losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the credits and claims in light of historical and market experience, the nature and volume of the credit and claims portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing worldwide, regional, and local economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Any impact of the September 11, 2001, terrorist actions on the risk levels of Ex-Im Bank's transactions has been evaluated as part of the portfolio analysis performed at year end, and the impact has been reflected in the allowance for loss.

During fiscal year 2002, Ex-Im Bank refined its methodology for calculating the allowance for losses on loans and claims receivable and the allowance for off-balance sheet risk. Previously, Ex-Im Bank used OMB risk premia, which for 2001 represented a market-adjusted spread, to calculate the allowance for losses on loans and claims receivable and the allowance for off-balance sheet risk. In 2002, OMB significantly decreased the risk premia so that the revised risk premia reflects estimates of probable credit losses. In 2002, Ex-Im Bank determined allowances for impaired loans and claims receivable as well as off-balance sheet guarantees and insurance by determining the fair value of the loans receivable, claims receivable, guarantees and insurance. For non-impaired loans and claims receivable, Ex-Im Bank determined the allowance using the revised OMB risk premia. The impact on the 2002 financial statements of using the refined methodology is an increase in the loss reserves of approximately $191.8 million. This refined methodology is a change in estimate and prior-year amounts have not been restated.

Claims Payable

Liabilities for claims arising from Ex-Im Bank's guarantee and insurance activities, and the related estimated losses and claim recovery expenses, are accrued upon approval of a claim filing.

Discount on Loans Receivable

In fulfilling its mission to aid in financing and facilitating exports of U.S. goods and services to foreign countries and to provide U.S. exporters with financing that is competitive with that provided by foreign governments to their exporters, Ex-Im Bank, at times, lends money at interest rates lower than its cost of funds. When funds are disbursed, Ex-Im Bank records a charge to income equivalent to the discount at disbursement of the loan. The discount is amortized to interest income over an eight-year period, the average life of the loan portfolio using a method that approximates the interest method.

Commitment and Exposure Fees

Commitment fees are charged on the undisbursed balance of direct loans and guarantees available. These fees are generally non-refundable and are recognized as income when accrued.

Ex-Im Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. Exposure fees for loans are recognized as interest income over the life of the loan using the interest method. Exposure fees for guarantees are recognized as fee income over the life of the guarantee using the interest method.

Guarantee Fees

On working capital guarantees, Ex-Im Bank charges an up-front facility fee. Due to the short-term nature of the contracts, the fee is credited to income as collected.

Insurance Premiums

Premiums charged under insurance policies are recognized as income using a method that generally reflects the exposure over the term of the policy.

Appropriated Capital

Appropriations received by Ex-Im Bank pursuant to the Federal Credit Reform Act are recorded, in effect, as paid-in-capital. Such appropriations are applied to Ex-Im Bank's accumulated deficit in accordance with directions on the use of credit reform appropriations issued by the Office of Management and Budget (OMB). Appropriations not required to finance credit activities are returned to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for Ex-Im Bank’s tied aid activities. In FY 2002, Congress rescinded $50 million of previously appropriated funds for tied aid that had not yet been obligated. These funds were returned to the U. S. Treasury.

The Statement of Changes in Capital and Accumulated Deficit reflects $502.2 million in fiscal year 2002 and $2,060.1 million in fiscal year 2001 as amounts transferred to the U.S. Treasury. The $502.2 million represents $500 million of unobligated funds relating to credits authorized prior to October 1, 1991, and $2.2 million of negative subsidies (Note 2). The $2,060.1 million represents $1,477.8 million of unobligated funds relating to credits authorized prior to October 1, 1991, $21.1 million of negative subsidies, and $561.2 million related to the FY 2000 subsidy re-estimate.

The Statement of Changes in Capital and Accumulated Deficit reflects $3,483.9 million in fiscal year 2002 and $415.1 million in fiscal year 2001 as amounts payable to the U.S. Treasury. The amounts will be paid to the U.S. Treasury in subsequent years. The $3,483.9 million represents $3,466.2 million for the fiscal year 2002 subsidy re-estimate and $17.7 million of expired unobligated appropriations. The $415.1 million represents $367.0 million for the fiscal year 2001 subsidy re-estimate and $48.1 million of expired unobligated appropriations.

Reclassifications

Certain fiscal year 2001 balances have been reclassified to conform with the fiscal year 2002 financial statement presentation, the effect of which is immaterial.

Accounting and Financial Reporting Developments

During the year ended September 30, 2002, the Financial Accounting Standards Board (FASB) issued several new accounting standards, including SFAS No. 141 Business Combinations, SFAS No. 142 Goodwill and Other Intangible Assets, SFAS No. 143 Accounting for Asset Retirement Obligations, SFAS No. 144 Accounting for Impairment or Disposal of Long-Lived Assets, and SFAS No. 145 Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. None of these accounting standards are expected to have a material impact on Ex-Im Bank's financial position or results of operations.

2. Credit Reform

The Federal Credit Reform Act of 1990, which became effective on October 1, 1991, significantly affected the manner in which Ex-Im Bank finances its credit activities. The primary purpose of this act is to measure more accurately the cost of federal credit programs and to place the cost of such credit programs on a basis equivalent with other federal spending.

Ex-Im Bank received appropriations aggregating $790.6 million in fiscal year 2002 and $925.8 million in fiscal year 2001, which represented the annual appropriation to cover the estimated subsidy cost of providing new direct loans, guarantees and insurance, and the associated administrative costs of these programs.

The following table summarizes appropriations received and used during fiscal years 2002 and 2001 (in millions):

	2002	2001
RECEIVED AND AVAILABLE:		
For Credit Subsidies	$727.3	$863.1
For Credit-related Administrative Costs	63.3	62.7
Total Received	790.6	925.8
Unobligated Balance Carried Over from Prior Year	514.4	363.2
Cancellations of Prior-Year Obligations	118.6	114.3
Rescission of Unobligated Tied Aid Balances	(50.0)	0.0
Total Available	**1,373.6**	**1,403.3**
OBLIGATED:		
For Credit Subsidies Excluding Tied Aid	738.3	826.1
For Credit-related Administrative Costs	63.8	61.8
Subtotal	802.1	887.9
For Tied Aid	13.4	0.6
Total Obligated	**815.5**	**888.5**
UNOBLIGATED BALANCE:		
Unobligated Balance	558.1	514.8
Unobligated Balance Lapsed	(1.2)	(0.4)
Remaining Balance	**$556.9**	**$514.4**

Of the remaining balance of $556.9 million at September 30, 2002, $1.2 million is available until September 30, 2003, $5.2 million is available until September 30, 2004, $290.1 million is available until September 30, 2005, and $260.4 million is available until expended and may be used for tied aid.

The cost of credit risk (credit subsidy) shown above, is the net present value of expected cash receipts and cash disbursements associated with loans, guarantees and insurance. Cash receipts typically include fees or premiums and loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a "negative" credit subsidy arises. Negative subsidies are remitted to the U.S. Treasury upon disbursement of the underlying credits. Ex-Im Bank transferred $2.2 million and $21.1 million of negative subsidies to the U.S. Treasury in fiscal years 2002 and 2001, respectively.

The appropriation for administrative costs is based on an annual estimate of the costs to administer and service Ex-Im Bank's entire credit portfolio. The credit subsidy appropriations are obligated to cover the estimated subsidy costs at the time loans, guarantees and insurance are committed. As the loans are disbursed or when the insured or guaranteed event has taken place (generally when the related goods are shipped), the obligated amounts are used to cover the estimated costs of the subsidies related to the disbursements and shipments. The portion of the appropriation related to Ex-Im Bank's lending programs is used to partially finance the loan disbursements while the portions related to Ex-Im Bank's guarantee and insurance programs are invested in an interest-bearing account with the U.S. Treasury. Prior to this use, all of the appropriated funds are held in a non-interest-bearing U.S. Treasury account.

Because financial and economic factors affecting the repayment prospects change over time, the net estimated subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with OMB guidelines. Re-estimates that result in increases in subsidy costs are covered by additional appropriations, which become automatically available, while decreases in estimated subsidy costs result in excess funds returned to the U.S. Treasury. As of September 30, 2002, a re-estimate of the subsidy costs of the outstanding balances of fiscal year 1992 through 2001 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of $3,466.2 million was no longer needed to cover commitments and is due to the U.S. Treasury. These amounts are included in the Amounts Payable to the U.S. Treasury on the Statement of Financial Position.

The manner in which Ex-Im Bank uses its credit appropriations differs from the way in which it calculates its credit-related loss allowances and net income under GAAP. Both GAAP and the credit appropriation calculation similarly factor into the loss allowance individual credit risks. Both recognize the cost to Ex-Im Bank of issuing loans at interest rates below Ex-Im Bank's borrowing rate. However, the GAAP loss allowances do not recognize the present value of future fees and premiums as an offset to the allowance since to do so would effectively record revenue prior to realization.

3. Loans Receivable

Ex-Im Bank extends medium- and long-term direct loans to foreign buyers of U.S. exports. Loans extended under the medium-term loan programs have repayment terms of one-to-seven years, while loans extended under the long-term loan programs have repayment terms in excess of seven years. Generally, both the medium- and long-term loan programs cover up to 85 percent of the U.S. contract value of shipped goods. Ex-Im Bank's direct loans carry the lowest fixed interest rate permitted for the importing country and term under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the Organization for Economic Cooperation and Development (OECD).

Ex-Im Bank's loans receivable, as shown in the Statement of Financial Position, are net of uncollected interest capitalized upon rescheduling, unamortized exposure fees, unamortized discounts, and an allowance for loan losses. At September 30, 2002 and 2001, the allowance for loan losses equaled 28.4 percent and 31.0 percent, respectively, of the outstanding loans receivable balance, excluding uncollected capitalized interest and unamortized exposure fees and discounts. The net balance of loans receivable at September 30, 2002 and 2001 consists of the following by region of obligor (in millions):

	2002	2001
Asia	$4,734.4	$5,294.4
Latin America	2,988.8	2,919.2
Africa/Middle East	2,056.3	1,803.7
Eastern Europe	389.6	414.1
Western Europe/Canada	155.1	183.0
United States/Other	0.0	0.2
	10,324.2	10,614.6
Less: Capitalized Interest	1,808.8	1,830.9
Unamortized Discount and Exposure Fees	274.0	292.9
	8,241.4	8,490.8
Less: Allowance for Loan Losses	2,341.0	2,635.5
Net Balance	**$5,900.4**	**$5,855.3**

Changes in the allowance for loan losses for fiscal years 2002 and 2001 are as follows (in millions):

	2002	2001
Balance at Beginning of Year	$2,635.5	$2,149.9
Write-offs	(43.6)	(1.7)
Recoveries of Loans Previously Written-off	0.0	0.0
Provision (Credited)/Charged to Operations	(250.9)	487.3
Balance at End of Year	**$2,341.0**	**$2,635.5**

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical and market experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing worldwide, regional, and local economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

From time to time, Ex-Im Bank extends the repayment date and modifies the interest terms of some or all principal installments of a loan because the obligor or country has encountered financial difficulty and Ex-Im Bank's board of directors has determined that providing relief in this manner will enhance the ability to collect the loan. The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2002 and 2001 were $2,625.9 million and $2,707.4 million, respectively. Rescheduled loan installments of principal and interest were $110.4 million and $97.9 million, respectively, in fiscal year 2002, and $99.4 million and $79.5 million, respectively, in fiscal year 2001. The interest rate on rescheduled loans is generally a floating rate of interest which is 37.5 to 62.5 basis points over Ex-Im Bank's cost of borrowing.

Sovereign debt reschedulings take place under the framework of the Paris Club. The Paris Club is an "ad hoc" group of 19 permanent member creditor countries often with large debt exposures to the participating debtor countries. The Paris Club meets regularly in Paris to discuss and provide debt relief to qualifying debtor countries. The debt relief provided depends on the economic and financial situation of the applying debtor country and can take the form of debt forgiveness and/or debt rescheduling.

4. Receivables from Subrogated Claims

Receivables from subrogated claims represent the outstanding balance of payments that were made on claims that were submitted to Ex-Im Bank in its capacity as guarantor or insurer under Ex-Im Bank's export guarantee or insurance programs. Under the subrogation clauses in its guarantee and insurance contracts, Ex-Im Bank receives all rights, title and interest in all amounts relating to claims paid under insurance policies and guarantees, and therefore establishes an asset to reflect such rights.

Ex-Im Bank's receivables from subrogated claims, as shown in the Statement of Financial Position, are net of uncollected capitalized interest for rescheduled claims and an allowance for claim losses.

The net balance of receivables from subrogated claims at September 30, 2002 and 2001 consists of the following (in millions):

	2002	2001
Claims Previously Paid and Unrecovered:		
Rescheduled	$2,270.2	$2,097.1
Non-rescheduled	1,824.0	2,051.1
Claims Filed Pending Payment	22.1	33.2
	4,116.3	4,181.4
Less: Capitalized Interest	429.2	432.5
	3,687.1	3,748.9
Less: Allowance for Claim Losses	1,910.8	1,608.2
Net Balance	**$1,776.3**	**$2,140.7**

Changes in the allowance for claim losses for fiscal years 2002 and 2001 are as follows (in millions):

	2002	2001
Balance at Beginning of Year	$1,608.2	$1,691.7
Write-offs	(16.4)	(19.6)
Provision Charged/(Credited) to Operations	319.0	(63.9)
Balance at End of Year	**$1,910.8**	**$1,608.2**

The allowance for claim losses is based on Ex-Im Bank's evaluation of the receivables from the subrogated claims portfolio taking into consideration a variety of factors, including repayment status of the claims, assessment of risks, and worldwide, regional and local economic and political conditions. Write-offs occur when a determination is made on a case-by-case basis that the unrecovered balance of the claim is uncollectible. At September 30, 2002 and 2001, the allowance for claim losses equaled 51.8 percent and 42.9 percent, respectively, of the outstanding balance, excluding uncollected capitalized interest.

5. Impaired Loans and Claims Receivable

Included in loans and claims receivable (Notes 3 and 4) are certain credits that are classified as impaired for financial statement purposes. The following table summarizes the gross amount of impaired loans and claims receivable, net of non-accrued capitalized interest (in millions):

FY 2002	Loans	Claims	Total
Gross Impaired Receivable	$4,467.4	$3,929.9	$8,397.3
Less: Capitalized Interest	1,670.4	429.2	2,099.6
	2,797.0	3,500.7	6,297.7
Less: Allowance for Losses	1,534.6	1,771.0	3,305.6
Net Impaired Receivable	**$1,262.4**	**$1,729.7**	**$2,992.1**

Interest income on impaired loans and claims is recognized when collected. The average recorded investment in impaired credits during FY 2002 was $8,547.2 million. There is $232.6 million of interest earned on impaired credits included in the $826.6 million total interest income reported for FY 2002. On a cash basis, the amount of interest income recognized would have been $249.1 million.

6. Contingent Liabilities

In addition to the risks associated with its loans and claims receivable, Ex-Im Bank is subject to credit risk for financial instruments not reflected in its Statement of Financial Position. These financial instruments consist of (1) guarantees and insurance that provide repayment protection against political and commercial risks and (2) guarantees of letters of credit underlying future loan disbursements. Political risks covered by Ex-Im Bank involve nonpayment as a result of political violence, cancellation of an existing export or import license, expropriation, confiscation of or intervention in a buyer's business, or transfer risk (failure of foreign government authorities to transfer foreign deposits into dollars). However, losses due to currency devaluation are not considered a political risk by Ex-Im Bank. Commercial risks involve nonpayment for reasons such as deterioration of markets, unanticipated competition and buyer insolvency. Ex-Im Bank generally does not hold collateral or other security to support its medium- and short-term financial instruments with off-balance sheet risk. Ex-Im Bank generally does hold collateral for credits supporting export of aircraft, and a variety of security arrangements are made in the case of project finance transactions. When issuing working capital guarantees, Ex-Im Bank frequently requires the guaranteed party to obtain collateral or a third-party guarantee from the debtor. The amount of collateral required is based on management's credit evaluation.

The risks associated with the overall portfolio of off-balance sheet financial instruments differ from those associated with the loan portfolio. Loans are spread more evenly than guarantees over the entire risk spectrum, while off-balance sheet financial instruments are concentrated in relatively lower risk countries. Also, exporters and financial intermediaries who use Ex-Im Bank short-term insurance bear a portion of losses resulting from nonpayment.

Following is a summary of Ex-Im Bank's off-balance sheet risk at September 30, 2002 and 2001 (in millions):

FY 2002			
		Commitments	
	Total	Unused	Outstanding*
Guarantees	$38,595.9	$ 8,474.8	$30,121.1
Insurance	3,987.4	2,956.4	1,031.0
Undisbursed Loans	1,093.8	1,093.8	–
Total	**$43,677.1**	**$12,525.0**	**$31,152.1**

FY 2001			
		Commitments	
	Total	Unused	Outstanding*
Guarantees	$36,948.2	$7,584.4	$29,363.8
Insurance	4,822.5	3,660.3	1,162.2
Undisbursed Loans	1,858.8	1,858.8	–
Total	**$43,629.5**	**$13,103.5**	**$30,526.0**

** Shipment of goods has taken place.*

Ex-Im Bank is exposed to credit loss with respect to the amount at risk in the event of nonpayment by other parties in the agreements. The commitments shown above are agreements to lend monies and issue guarantees and insurance so long as there is no violation of the conditions established in the credit agreement.

Substantially all of Ex-Im Bank's off-balance sheet financial instruments involve credits located outside of the United States. Following is a breakdown of such total commitments at September 30, 2002 (in millions):

	Guarantees	Insurance	Undisbursed Loans	Total
Asia	$12,948.2	$94.8	$194.3	$13,237.3
Latin America	9,734.2	1,347.1	879.8	11,961.1
Western Europe/Canada	4,790.6	190.1	1.5	4,982.2
Africa/Middle East	4,825.2	122.8	15.7	4,963.7
Eastern Europe	3,967.2	48.1	-	4,015.3
United States/Other	2,330.5	–	2.5	2,333.0
S/T Insurance (unshipped)	-	2,184.5	-	2,184.5
Total	**$38,595.9**	**$3,987.4**	**$ 1,093.8**	**$43,677.1**

Changes in the allowance for off-balance sheet risk for fiscal years 2002 and 2001 are as follows (in millions):

	2002	2001
Balance at Beginning of Year	$6,411.5	$7,030.0
Provision Charged/(Credited) to Operations	658.1	(618.5)
Balance at End of Year	**$7,069.6**	**$6,411.5**

7. Summary of Allowance for Credit Losses

The composition of the allowance for credit losses for loans, claims, and off-balance sheet risk is as follows (in millions):

	2002	2001
Allowance for Loan Losses	$2,341.0	$2,635.5
Allowance for Claim Losses	1,910.8	1,608.2
Allowance for Off-Balance Sheet Risk	7,069.6	6,411.5
Total	**$11,321.4**	**$10,655.2**

8. Concentration of Risk

Although Ex-Im Bank has a diversified loan portfolio, its loans are more heavily concentrated in some countries or industries than others.

Country	Amount	Percent
Brazil	$1,785.9	17.2%
Indonesia	1,480.2	14.5
China	1,399.7	13.5
Philippines	551.6	5.3
All Other	5,106.8	49.5
Total	**$10,324.2**	

At September 30, 2002, the largest concentrations of gross loans outstanding were in the following countries and industries (in millions):

Industry	Amount	Percent
Power Projects	$3,147.5	30.4%
Infrastructure Projects	1,321.5	12.7
Manufacturing	1,179.6	11.4
Telecommunications	463.2	4.5
All Other	4,212.4	41.0
Total	**$10,324.2**	

At September 30, 2002, Ex-Im Bank's largest concentration of guarantees, insurance and undisbursed loan commitments at risk were in the following countries and industries (in millions):

Country	Amount	Percent
Mexico	$4,838.2	11.1%
China	3,832.7	8.8
Turkey	3,085.0	7.0
Korea	2,829.1	6.5
All Other	29,092.1	66.6
Total	**$43,677.1**	

Industry	Amount	Percent
Air Transportation	$18,978.8	43.4%
Oil and Gas	5,937.8	13.6
Power Projects	4,905.5	11.3
Manufacturing	2,792.7	6.4
All Other	11,062.3	25.3
Total	**$43,677.1**	

9. Non-Accrual of Interest

The weighted average interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 2002, equaled 3.91 percent (6.38 percent on performing loans and rescheduled claims). Interest income is recognized when collected on non-rescheduled claims paid and unrecovered or on claims filed pending payment.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for 90 days. Ex-Im Bank had a total of $3,626.0 million and $1,230.2 million of loans and rescheduled claims, respectively, in non-accrual status at September 30, 2002, and $2,721.6 million and $1,057.9 million respectively at September 30, 2001. Had these credits been in accrual status, interest income would have been $163.8 million higher in fiscal year 2002 (amount is net of interest received of $131.1 million) and $171.2 million higher in fiscal year 2001 (amount is net of interest received of $87.0 million).

10. Borrowings

Ex-Im Bank's outstanding borrowings come from two sources: direct borrowings from the U.S. Treasury and the assumption of repayment obligations of defaulted guarantees under the Bank's guarantee program via Payment Certificates. Payment Certificates are given by Ex-Im Bank in exchange for the foreign importer's original note that was guaranteed by Ex-Im Bank and carries the same repayment term and interest rate as the foreign importer's note. The Payment Certificate is backed by the full faith and credit of the U.S. government and is freely transferable.

Outstanding Payment Certificates at September 30, 2002, and September 30, 2001, were $785.6 million and $931.1 million respectively. Maturities of Payment Certificates at September 30, 2002 are as follows (in millions):

Fiscal Year	Amount
2003	$195.5
2004	183.7
2005	138.5
2006	92.1
2007	54.6
Thereafter	121.2
	$785.6

The weighted average interest rate on Ex-Im Bank's outstanding Payment Certificates at September 30, 2002, equaled 5.86 percent.

Direct borrowings from the U.S. Treasury are primarily used to finance the Bank's medium- and long-term loans committed on or after October 1, 1991. At September 30, 2002, and September 30, 2001, Ex-Im Bank had $6,657.4 million and $7,044.8 million of borrowings outstanding with the U.S. Treasury at a weighted-average interest rate of 6.03 percent and 6.07 percent respectively. Borrowings from the U.S. Treasury carry a fixed rate of interest.

The U.S. Treasury borrowings are repaid, primarily, with the repayments of the medium- and long-term loans they financed. To the extent the repayments on the underlying loans, combined with the commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to Ex-Im Bank through the re-estimation process for this purpose. Accordingly, the U.S. Treasury borrowings do not have a set repayment schedule; however, the full amount of the borrowings are expected to be repaid by fiscal year 2033.

11. Related Party Transactions

The financial statements reflect the results of contractual agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private sector banks, industrial companies and financial services institutions, makes medium- and long-term fixed- and variable-rate loans to foreign borrowers to purchase U.S.-made equipment when such loans are not available from traditional private sector lenders on competitive terms. Ex-Im Bank’s credit and guarantee agreement with PEFCO extends through December 31, 2020. Through its contractual agreements with PEFCO, Ex-Im Bank exercises a broad measure of supervision over PEFCO's major financial management decisions including approval of both the terms of individual loan commitments and the terms of PEFCO's long-term debt issues, and is entitled to representation at all meetings of PEFCO's board of directors, advisory board and exporters' council.

PEFCO has agreements with Ex-Im Bank which, for fees totaling $23.2 million in fiscal year 2002 and $29.7 million in fiscal year 2001, provide that Ex-Im Bank will (1) guarantee the due and punctual payment of principal and interest on export loans made by PEFCO, (2) guarantee the due and punctual payment of interest on PEFCO's long-term secured debt obligations when requested by PEFCO, and (3) guarantee certain fees paid by borrowers on behalf of PEFCO. Such guarantees, aggregating $4,905.3 million at September 30, 2002, and $5,465.8 million at September 30, 2001, are reported by Ex-Im Bank as off-balance sheet risk and the exposure is included in its allowance for off-balance sheet risk calculation.

As discussed in Note 10, Ex-Im Bank has significant transactions with the U.S. Treasury. The U.S. Treasury, although not exercising control over Ex-Im Bank, holds the capital stock of Ex-Im Bank creating a related-party relationship between Ex-Im Bank and the U.S. Treasury.

12. Pensions and Accrued Annual Leave

Virtually all of Ex-Im Bank's employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

In 2002, Ex-Im Bank withheld 7.0 percent of CSRS employees gross earnings. Ex-Im Bank’s contribution was 8.51 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

In 2002, Ex-Im Bank withheld 0.80 percent of FERS employees' gross earnings. Ex-Im Bank's contribution was 10.7 percent of employees' gross earnings. This sum was transferred to the FERS fund from which this employee group will receive retirement benefits. An additional 6.2 percent of gross earnings is withheld; that amount plus matching contributions by Ex-Im Bank are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). CSRS employees may contribute up to 7 percent of gross earnings. FERS employees may contribute up to 12 percent of gross earnings. In addition, FERS employees receive an automatic 1 percent contribution from Ex-Im Bank. Amounts withheld for FERS employees are matched by Ex-Im Bank, up to 4 percent, for a maximum Ex-Im Bank contribution to the TSP of 5 percent.

Total Ex-Im Bank (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in administrative expenses, were approximately $3.9 million and $3.6 million for the fiscal years ended September 30, 2002 and 2001, respectively.

Although Ex-Im Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the Office of Personnel Management (OPM) for the Retirement Systems and are not allocated to the individual employers. OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual employer basis.

Ex-Im Bank's liability to employees for accrued annual leave, included in other liabilities, was $2.2 million for the fiscal years ended September 30, 2002 and 2001.

13. Statutory Limitations

Under provisions of the Export-Import Bank Act, as amended in fiscal year 2002, Ex-Im Bank's statutory authority currently is limited to $80.0 billion of loans, guarantees and insurance outstanding at any one time. At September 30, 2002 and 2001, Ex-Im Bank's statutory authority used was as follows (in millions):

	2002	2001
Outstanding Loans	$10,324.2	$10,614.6
Undisbursed Loans	1,093.8	1,858.8
Outstanding Claims	4,116.3	4,181.4
Guarantees	38,595.9	36,948.2
Insurance	3,987.4	4,822.5
Total	**$58,117.6**	**$58,425.5**

The statutory authority increases $5 billion each year to a total of $100 billion in FY 2006.

Congress provides an appropriation to cover the subsidy cost of the transactions committed. Transactions can be committed only to the extent that appropriated funding is available to cover such costs. In fiscal years 2002 and 2001, Congress placed no limit on the total amount of loans, guarantees and insurance that could be committed in those years, provided that the statutory authority established by the Export-Import Bank Act was not exceeded.

During fiscal year 2002, Ex-Im Bank entered into commitments for loans of $295.6 million using $48.6 million of the appropriation ($13.4 million for tied aid), and commitments for guarantees and insurance of $9,823.6 million using $703.1

million of the appropriation. During fiscal year 2001, Ex-Im Bank entered into commitments for loans of $871.2 million using $93.8 million of the appropriation ($1.7 million for tied aid), and commitments for guarantees and insurance of $8,370.3 million using $733.9 million of the appropriation.

14. Commitments and Contingencies

Leasing Activities

Ex-Im Bank has no capital leases. Operating lease arrangements are renewable annually. These leases consist primarily of rental of office space. Office space is leased primarily from the General Services Administration (GSA) through the Public Buildings Fund. The annual lease amount is determined each year at the discretion of GSA. Lease expenses, included in administrative expenses, were $3.7 million and $3.8 million for fiscal years 2002 and 2001, respectively.

Pending Litigation

As of the end of fiscal year 2002, Ex-Im Bank was named in several legal actions, virtually all of which involved claims under the guarantee and insurance programs. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that these claims will not result in liabilities to such an extent they would materially affect the financial position or results of operations of Ex-Im Bank.

Project Finance

In project finance cases, Ex-Im Bank's assistance during the construction period generally is in the form of a direct credit or comprehensive guarantee to the private lender. At the end of the construction period, the borrower in some cases may have the opportunity to convert the private guaranteed financing to an Ex-Im Bank direct loan. As of September 30, 2002, Ex-Im had $2,148.2 million of such contingent loan commitments outstanding.

15. Fair Value of Financial Instruments

The fair value of financial instruments to which Ex-Im Bank has a contractual obligation to deliver cash or a contractual right to receive cash from another entity were estimated based on the methods and assumptions identified with each class of financial instrument listed below.

Loans Receivable, Receivables from Subrogated Claims and Off-Balance Sheet Financial Instruments

Substantially all of these instruments involve credit risks that private lenders or guarantors would not accept. However, as discussed in Note 2, the Federal Credit Reform Act requires Ex-Im Bank to calculate the net present value of the cost of its credit programs based on management's assumptions with respect to future economic conditions, the amount and timing of future cash flows, and estimated discount rates. Ex-Im Bank believes that the values derived by applying these assumptions to Ex-Im Bank's loans, claims and financial instruments with off-balance sheet risk approximate their fair values.

Borrowings and Claims Payable

The fair values of these instruments were estimated based on discounting the future cash flows using interest rates currently available to Ex-Im Bank for the U.S. Treasury debt with comparable maturities. The U.S. Treasury interest rate plus 1 percent was used for claims payable as this is the rate available in the claim document.

(in millions)	2002 Carrying Value	2002 Fair Value	2001 Carrying Value	2001 Fair Value
FINANCIAL ASSETS:				
Cash	$7,641.8	$7,641.8	$7,132.5	$7,132.5
Loans Receivable, Net	5,900.4	5,748.8	5,855.3	7,374.4
Receivable from Subrogated Claims, Net	1,776.3	1,776.3	2,140.7	2,356.4
FINANCIAL LIABILITIES:				
Off-balance Sheet Financial Instruments	7,069.6	7,069.6	6,411.5	6,411.5
Borrowings from the U.S. Treasury	6,657.4	7,341.1	7,044.8	7,925.3
Payment Certificates	785.6	809.4	931.1	939.9
Claims Payable	22.1	21.8	33.2	32.3

Use of different methods and assumptions could significantly affect these estimates. Accordingly, the net realizable value could be materially different.

16. GAAP to Government GAAP Reconciliation (Unaudited)

Ex-Im Bank prepares its financial statements in accordance with GAAP. In January 2000, the American Institute for Certified Public Accountants (AICPA) recognized the Federal Accounting Standards Advisory Board (FASAB) as the standard setting body for federal entities. FASAB established generally accepted accounting principles for the preparation of federal agencies' financial statements (government GAAP), which differ in some respects from GAAP.

The manner in which loss reserves are calculated under GAAP differs from the way they are calculated under government GAAP. As detailed in Note 2, Ex-Im Bank's operations are subject to the Federal Credit Reform Act of 1990. Under the act, the cost of credit risk is defined as the net present value of cash disbursements offset by the net present value of cash receipts, such as fees, premiums, and loan principal and interest. This definition of cost of credit risk is used to determine the level of credit-related loss reserves under government GAAP. However, GAAP does not recognize future fees and premiums as an offset to the allowance since to do so would recognize income before it is earned. The difference in treatment of the level of loss reserves between government GAAP and GAAP is reflected in the Government GAAP/GAAP Statement of Financial Position. Under government GAAP guidance, there is a higher level of loans and claims receivable, a smaller reserve for off-balance sheet risk, and more equity.

The amount of net income reported under government GAAP is also different than net income reported under GAAP. This results from government GAAP recognizing appropriations as income when used and differences in estimating loss reserves as described above.

Ex-Im Bank's audited Statement of Financial Position is presented in accordance with GAAP for financial reporting purposes. Ex-Im Bank's Statement of Financial Position prepared in accordance with government GAAP and the reconciliation of net income from the accompanying GAAP Statement of Operations to net income in accordance with government GAAP follow:

Government GAAP /GAAP Statement of Financial Position Supplemental Reconciliation

(in millions)	2002 GAAP	2002 Government GAAP	2001 GAAP	2001 Government GAAP
ASSETS				
Cash	$7,641.8	$7,641.8	$7,132.5	$7,132.5
Loans Receivable, Net	5,900.4	7,406.4	5,855.3	6,695.8
Receivables from Subrogated Claims, Net	1,776.3	1,811.7	2,140.7	2,171.7
Subsidy Receivable from Program Account	N/A	1,159.2	N/A	1,828.4
Accrued Interest, Fees Receivable and Other Assets	144.9	144.9	184.4	184.4
Total Assets	**$15,463.4**	**$18,164.0**	**$15,312.9**	**$18,012.8**
LIABILITIES & EQUITY				
Borrowings from the U.S. Treasury	$ 6,657.4	$6,657.4	$7,044.8	$ 7,044.8
Payment Certificates	785.6	785.6	931.1	931.1
Allowance for Off-balance Sheet Risk	7,069.6	N/A	6,411.5	N/A
Claims Payable	22.1	22.1	33.2	33.2
Guarantee Loan Liability	N/A	2,162.1	N/A	3,327.3
Liability for Subsidy Related to Undisbursed Loans and Guarantees	N/A	1,114.7	N/A	1,387.6
Subsidy Payable to Financing Account, Net	N/A	44.5	N/A	440.8
Amounts Payable to the U.S. Treasury	3,620.8	3,728.5	557.0	1,560.8
Deferred Fees	893.5	893.5	905.2	905.2
Other Liabilities	77.5	77.5	72.5	72.5
Total Liabilities	19,126.5	15,485.9	15,955.3	15,703.3
Capital Stock held by the U.S. Treasury	1,000.0	1,000.0	1,000.0	1,000.0
Tied Aid Appropriations	344.3	N/A	397.3	N/A
Credit Appropriations	296.5	N/A	190.6	N/A
Unexpended Appropriations	N/A	1,722.6	N/A	1,750.3
Accumulated Deficit	(5,303.9)	(44.5)	(2,230.3)	(440.8)
Total Stockholder’s (Deficiency)/Equity	(3,663.1)	2,678.1	(642.4)	2,309.5
Total Liabilities and Stockholder’s Equity	**$15,463.4**	**$18,164.0**	**$15,312.9**	**$18,012.8**

The following are the differences between GAAP and government GAAP in the statements above:

Loans Receivable, Net under government GAAP is higher by $1,506.0 million in FY 2002 and $840.5 million in FY 2001. Loan interest and fee income is credited to the loan loss reserve under government GAAP, which results in a smaller loss reserve and a larger receivable. Additionally, the methodology for determining the allowance for loan losses under GAAP differs in some respects with the methodology under government GAAP, generally resulting in a smaller allowance under government GAAP.

Receivables from Subrogated Claims under government GAAP is higher by $35.4 million in FY 2002 and $31.0 million in FY 2001. Interest income on rescheduled claims is credited to the loan loss reserve under government GAAP, which results in a smaller loss reserve and a larger receivable.

Under government GAAP, the Subsidy Receivable from the Program Account of $1,159.2 million for FY 2002 and $1,828.4 million for FY 2001 is fully offset by the Liability for Subsidy Related to Undisbursed Loans and Guarantees and the Subsidy Payable to the Financing Account, Net. These amounts are payable to and receivable from different Ex-Im Bank accounts at the U.S. Treasury and net to zero. They are not broken out separately under private sector GAAP.

The Allowance for Off-balance Sheet Risk shown under GAAP is the equivalent of the Guarantee Loan Liability under government GAAP. The government GAAP figure is lower by $4,907.5 million in FY 2002 and $3,084.2 million in FY 2001 because fee income is taken into account in government GAAP before it is earned. Additionally, the methodology for determining the allowance under GAAP differs in some respects with the methodology under government GAAP, generally resulting in a smaller allowance under government GAAP.

Amounts Payable to the U.S. Treasury are higher by $107.7 million in FY 2002 and $1,003.8 million in FY 2001 under government GAAP. The annual subsidy re-estimate calculation is made up of two components, an amount due from the U.S. Treasury for cohorts of loans and guarantees that have increased in risk and an amount payable to the U.S. Treasury for cohorts of loans and guarantees that have decreased in risk. Under GAAP, the two components are netted and shown as Amounts Payable to the U.S. Treasury. Under government GAAP, the amount due to the U.S. Treasury is shown as a payable and the amount due from the U.S. Treasury is recorded as an increase to subsidy expense that is reflected in the Accumulated Deficit. In addition, the net value of credits authorized prior to October 1, 1991, is recorded as a payable to the U.S. Treasury under government GAAP but is reflected in the Accumulated Deficit under GAAP.

Under government GAAP, Stockholder's Deficiency is lower by $6,341.2 million in FY 2002 and $2,951.9 in FY 2001 than under GAAP. Smaller loss reserves under government GAAP result in less loss expense, which results in higher equity. Also, under government GAAP, Unexpended Appropriations of $1,722.6 million in FY 2002 and $1,750.3 million in FY 2001 includes both obligated and unobligated balances. Under GAAP, only the obligated portion of unexpended appropriations is reflected in the Accumulated Deficit.

Government GAAP /GAAP Statement of Operations Supplemental Reconciliation

(in millions)	2002	2001
Reported Net Income, GAAP Basis	$182.1	$1,061.3
ADJUSTMENTS TO INCOME:		
Subsidy Appropriation Used	1,177.8	675.3
Appropriation from Prior-Year Re-estimate	440.8	918.7
Administrative Expense Appropriation Used	55.7	53.5
Total Adjustments to Income	1,674.3	1,647.5
ADJUSTMENTS TO EXPENSE:		
Subsidy Expense	1,654.2	(1,417.9)
Financing Resources Transferred Out	(3,510.6)	(1,290.9)
Future Funded Expense	396.3	556.1
Total Adjustments to Expense	(1,460.1)	(2,152.7)
Net Income and Change in Accumulated Deficit, Government GAAP Basis	**$396.3**	**$556.1**

All of the differences in the schedule above result from differences in the treatment of appropriations and re-estimates between government GAAP and GAAP. Under government GAAP, the receipt and use of appropriations for credit activity, administrative expense and re-estimates is reflected in the Statement of Operations. Under GAAP this activity is shown as part of the Statement of Changes in Capital and Accumulated Deficit.